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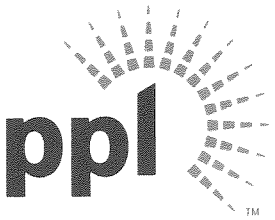

September 23, 2005

David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and Energy Reliability, TD-1
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Energy Policy Act of 2005, Section 1234 Economic Dispatch Study

Dear Mr. Meyer:

PPL Corporation ("PPL") appreciates this opportunity to respond to the U.S. Department of Energy's ("DOE") Questions for Stakeholders on economic dispatch.[1]

PPL, through its affiliates, is an active participant in electricity markets. Our affiliates own transmission and distribution facilities in Pennsylvania, as well as approximately 12,000 megawatts of electric generation located within Pennsylvania, New York, New England, Illinois, Montana and Arizona. In fact, PPL's predecessor, the Pennsylvania Power & Light Company, was one of the original founding members of the Pennsylvania-Jersey-Maryland ("PJM") power pool. PPL affiliates operate within the PJM Interconnection, the New York Independent System Operator and ISO-New England regions, as well as within Western electricity markets.

PPL expects that the regional reliability councils and/or the Regional Transmission Organizations ("RTO")/Independent System Operators ("ISO") in these regions will be responding to DOE with the specific information that DOE seeks. PPL would like to focus its comments primarily on question 2 of the questionnaire that was sent with your September 1, 2005 letter to the Edison Electric Institute ("EEI"). PPL is a member of EEI and is submitting these additional comments to supplement EEI's comments.

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[1] Section 1234(b) of the Energy Policy Act ("Act") defines economic dispatch as "the operation of generation facilities to produce energy at the lowest cost to reliably serve customers, recognizing any operational limits of generation and transmission facilities."

Question 2 – Is the Act's definition of economic dispatch appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

DOE seeks comments, among other things, on the concept and application of economic dispatch, which is defined as "the operation of generation facilities to produce energy at the lowest cost to reliably serve customers, recognizing any operational limits of generation and transmission facilities." PPL submits that this definition should be viewed in the context of properly functioning wholesale electricity markets. Economic dispatch models on their own would be of limited effectiveness unless they are complemented by robust competitive wholesale electricity markets and properly structured market rules that provide the price signals necessary to encourage new capacity investments.

Historically, tight power pools, like the PJM power pool, provided the benefits of centralized economic dispatch. For example, PJM had computer systems and billing arrangements in place to facilitate energy exchange in bulk power markets via economic dispatch and pricing mechanisms like "shared savings." By definition, such power pool mechanisms were generally designed to achieve an *optimum* mix of generation. On the other hand, RTOs may not necessarily achieve any greater benefits associated with security constrained economic dispatch (even though in some cases, like PJM, they cover broader geographic areas).[2] Part of the reason why expanding economic dispatch areas may not necessarily increase resulting savings is because of the existence of transmission constraints.[3] Such constraints will effectively limit the size of the geographic area over which, or the time periods when, generation facilities can be economically dispatched.

Moreover, there are other factors that should be considered when examining the potential benefits of economic dispatch. RTO and ISO structures are prevented from achieving greater benefits because competitive markets have not been allowed to fully develop. In workably competitive wholesale electricity markets, the forces of supply and demand should result in providing proper price signals to encourage the optimum mix of efficient generation supply needed for reliability and to minimize consumer risks from poor generation investment decisions.

For such competitive markets to achieve their full potential, they must be permitted to function unimpeded by measures that interfere with the operation of forces of supply and demand. When load requirements approach the ultimate supply, wholesale prices must be permitted to rise sufficiently to permit investors to recover their capital costs (i.e., scarcity pricing). Only in this way will new, competitive power

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[2] Of course, RTOs/ISOs provide other benefits beyond security constrained economic such as an independent operator of the transmission facilities under their control.

[3] In PJM, for example, significant transmission constraints exist at the Ohio border and in northern New Jersey which thereby prevent the full benefits of economic dispatch from being achieved within PJM.

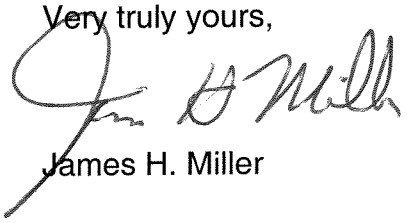
plants be built in the future. However, current RTO/ISO market rules (like artificial price caps which interfere with competitive market forces) fail to provide the price signals necessary to encourage generation investment.

Encouraging economic dispatch alone, without the predicates for robust competitive wholesale electricity markets, is not enough. RTOs/ISOs carry high price tags compared to their power pool predecessors. These high price tags are unwarranted, if they do not provide substantial economic benefits beyond security constrained economic dispatch that will allow the wholesale electricity markets to provide for new investment.

Therefore, PPL recommends that DOE examine how economic dispatch should complement properly functioning electricity markets. While a system that produces unreasonably low prices might appear to be a desirable short-term consumer benefit, artificial price controls have resulted in energy shortages in the past and economic harm. PPL urges DOE to ensure that these mistakes of the past are not repeated and that economic dispatch be included as part of a rationale and efficient market structure that will provide the proper incentives to encourage needed generation and transmission infrastructure investments.

If you have any questions concerning this matter, please contact Tom Hyzinski at PPL EnergyPlus, LLC at (610) 774-7316. Thank you.

Very truly yours,



James H. Miller

cc: Ms. Alison Silverstein
Mr. Joseph Eto